GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:73
ANSWERED ON:27.07.2006
INCREASE IN PETROL AND DIESEL PRICES
Adhalrao Patil Shri Shivaji;Athawale Shri Ramdas

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government has recently hiked the prices of petrol and diesel;

(b) if so, the reasons and the justification therefor and the extent upto which these have been increased;

(c) whether this increase will have-cascading effect on the prices of essential commodities;

(d) if so, whether the Government is considering any proposal to reduce the Central taxes on petrol and diesel with a view to providing relief to the consumers;

(e) if so, the details thereof; and

(f) the other steps being taken by the Government to control the situation to avoid further increase in the prices of petrol and diesel ?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA)

(a) to (f): A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (f) of Lok Sabha Starred Question No.73 by Sarvashri Adhalrao Patil Shivajirao and Ramdas Athawale to be answered on 27th July, 2006 regarding increase in petrol and diesel prices.

(a)&(b): Yes, Sir. The prices of crude oil in the international market have risen very steeply in recent years resulting in an increase of petroleum product prices for consumers. The Indian basket averaged $66.55/barrel in June 2006 and recorded an all time high of $73.96/bbl on 14.7.2006, compared to the price level of $23.31/bbl in March 2002. In view of the fact that 76% of our crude requirement is met through imports, the escalating international prices necessitated a corresponding price increase in petroleum products. To partly mitigate the burden of oil marketing companies on account of increase in international prices, the retail selling prices of petrol & diesel were moderately increased by Rs.4/litre and Rs.2/litre respectively, effective 6.6.2006 in Delhi.

(c): The impact of fuel prices on inflation has been assessed as marginal, considering that the weights of petrol and diesel in the Wholesale Price Index (WPI) are only 0.89% and 2.02% respectively.

(d)to(f): Government has recently revised the methodology of pricing in respect of petrol and diesel by implementing trade parity pricing in stead of import parity pricing, as recommended by Dr. Rangarajan Committee. The customs duty on petrol and diesel has also been reduced from 10% to 7.5% in June 2006.

Government has taken all possible measures to ensure that there is no hardship to common man on account of price rise. Despite unprecedented rise in international prices, Government did not increase the prices of PDS kerosene and LPG to protect the interests of the common man and the weaker sections of society. Government adopted the principle of equitable burden sharing amongst three stakeholders, namely, the consumers, the PSU oil companies and the Government to protect the interest of the common man and the vulnerable sections of society. Government along with oil companies has decided to absorb 87.5% of the burden of the escalated international prices of crude oil, amounting to Rs.73,500 crores, leaving only a balance of 12.5% to be borne by the consumers by way of increase in petrol and diesel prices. Government has decided to issue bonds worth Rs.28,300 crores during 2006-07 to oil marketing companies to partially compensate for under-recoveries on sensitive petroleum products. Based on the request made to the State Governments to moderate the impact of price rise on the common man, ten State Governments, namely, Andhra Pradesh, Delhi, Goa, Haryana, Himachal Pradesh, Maharashtra, Tamil Nadu (diesel only), Uttaranchal, Manipur and Assam, have reduced the sales tax on Petrol and Diesel to reduce the burden of the recent price hike.